

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LAKEWOOD VALLEY)
DEVELOPMENT COMPANY FOR AN ADJUSTMENT)
OF RATES PURSUANT TO THE ALTERNATIVE)
PROCEDURE FOR SMALL UTILITIES)
CASE NO. 9978

O R D E R

On July 27, 1987, Lakewood Valley Development Company ("Lakewood") filed its application seeking to increase its rates pursuant to the Alternative Procedure for Small Utilities.

Neither Lakewood nor the Commission sought a hearing in this matter. There were no intervenors and all requested information has been filed.

On September 1, 1987, the Commission staff conducted a field review of Lakewood's test period financial records and issued its report on September 30, 1987, containing staff's recommendations. In its report the staff recommended that Lakewood be granted an increase of \$2,296 based on operating expenses of \$32,708, which is inclusive of maintenance of collection expense of \$1,398. In its response to the staff report Lakewood provided documentation, obtained subsequent to the field review showing that the annual treatment expense is \$3,727¹ an increase of \$2,329 over the staff's original estimate. Staff has reevaluated its initial revenue requirement based on the increased treatment cost and has

¹ \$310.56 (monthly treatment cost) X 12 = \$3,726.72.

arrived at a revised revenue requirement of \$4,942² which is Lakewood's total revised revenue increase request.

After careful review and investigation of staff's initial and revised recommendations the Commission is of the opinion that an operating ratio of 88 percent is fair, just, and reasonable in that it will allow Lakewood adequate cash flow to meet its obligations, provide its owners a reasonable return, and provide for future equity growth. Therefore, the Commission affirms the staff's revised recommended increase of \$4,942.

FINDINGS AND ORDERS

1. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by Lakewood in that they should produce annual revenues of \$39,814.

2. Within 30 days of the date of this Order, Lakewood should file with this Commission its revised tariff sheets setting out the rates approved herein.

IT IS THEREFORE ORDERED that:

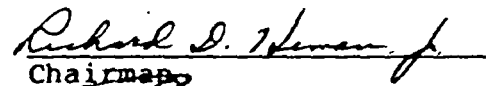
1. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by Lakewood on and after the date of this Order.

2	Adjusted Operating Income	\$32,708
	Add: Increased Treatment Cost	2,329
	Revised Operating Expenses	\$35,037
	Divided: 88% Operating Ratio	÷ 88%
	Required Revenue	\$39,814
	Less: Normalized Revenue	34,872
	Revised Revenue Requirement	<u>\$ 4,942</u>

2. Within 30 days of the date of this Order, Lakewood shall file with this Commission its revised tariff setting out the rates approved herein.

Done at Frankfort, Kentucky, this 13th day of November, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9978 DATED 11/13/87

The following rates and charges are prescribed for the customers in the area served by Lakewood Valley Development Co. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Rate Per Month

Single Family Residential

\$15.10